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**** It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

The Problems of Agriculture

By The Right Hon. E. G. Pretyman.

ALL economists are agreed that the real wealth of any country lies in its productive power. It is to our productive industries that we owe our wealth and prosperity and of these agriculture is the first and greatest. Of recent years and in recent legislation this vital and fundamental truth has been ignored and a political majority of distributors and workers has imposed national and political burdens and obligations upon industry which have forced up its costs of production, whilst by the admission of free and uncontrolled imports from overseas, where no similar costs of production are imposed, prices are kept down to an international and economic level. Taxes and obligations are imposed upon industry which reduce the area of productive employment and the money so raised is spent on unemployment pay. Legislation is thus directly driving thousands from productive employment on to the dole.

Agriculture, except in the case of landowners, carries a lighter burden of taxation than other industries, but her products are specially open to international competition and this together with the statutory liability for wages, and other increased costs, involves a disparity between her costs of production and the prices obtainable for her produce which is greater than that in any other productive industry.

In the following article I have endeavoured to make this position clear, to show how it affects the various branches of husbandry and how the balance might be restored.

There is no subject on which it is so difficult to present a clear case. This is partly due to the complicated and varying nature

of arable farming and partly to the changed outlook since the growing of cereals has ceased to be profitable.

The very word " Harvest," for instance, although still used in common parlance to describe the reaping of profitable returns from any undertaking, has no longer that meaning to the British Farmer.

So far from bringing him a profitable return his harvest involves him in heavy additional labour costs which are not covered by the price obtainable for the grain. The average harvest wages per man are £11 and at the present price of wheat and oats, 19 sacks of wheat and 25 sacks of oats are required to pay this wage, without counting the cost of delivery on rail or to depôt. This does not mean that the wage paid is excessive, it is not, and the services given probably compare favourably both as to skill and effort with those given for a similar wage in any other form of industry, but the farmers' ready realization of this fact does not help him to find the money when the bottom is out of the cereal market. I can assure your readers that the " time of harvest " is no longer a time of rejoicing but rather of added anxiety to the arable farmers of East Anglia.

Again it is commonly assumed that milk production in an arable district means laying whole farms down to grass. This is not so. There are large areas in East Anglia, in Lincolnshire, and in other districts where, in previous days, arable farmers mainly depended on cereals and beef with (on lighter lands) the addition of mutton and wool. Their principal source of profit was selling wheat and barley together with any surplus of oats available after providing for necessary consumption on the farm.

Owing to the high proportion of labour and to the costly accommodation required for arable meat production the profit on that part of the output was small and precarious, but the animals provided the manure for the cereal crops which could not be adequately supplied from any other source.

The system generally adopted was what is known as the " four course shift," under which roots and fodder crops alternate with cereals. Thus the arable farmer only reaped a saleable crop from any field once every two years; the other years it was in roots or temporary pasture, neither of which give any direct return for the cost of cultivation and were regarded as foundation crops for the corn harvest which was to follow them.

There can be no doubt that this was an excellent system of

arable farming, and no better has ever been devised for keeping the land in good heart and for producing a maximum output of corn and meat. But its success depended upon profitable harvests and when harvests ceased to be profitable it had to be modified or abandoned. Apart from the recent development of sugar beet cultivation, which I will deal with later, the arable farmers' only alternative to corn and meat was milk production, and, on poor, light land farms, ceasing to cultivate the poorer fields. The changeover was expensive to the landlords, who were called upon to provide milking sheds, water supply and calving boxes either by converting existing buildings or by erecting new ones, and this at a time when the cost of building had more than doubled and their taxation had mounted to a level previously undreamt of. To the farmer it meant that he must adopt a system which would enable him to produce a constant supply of milk during the whole 12 months of the year and particularly during the winter months and to do so at the lowest possible feeding cost for the milking herds.

In those districts in the central and western counties where soil and climate are favourable to the growth of pasture this supplied grazing for the summer and hay for winter keep with perhaps a small proportion of arable for roots and oats, the milk ration being supplemented with purchased feeding stuffs.

In the arable districts of East Anglia soil and climate are unfavourable to the growth of good pasture. The grass is mostly of moderate quality and is liable to suffer severely from summer droughts, it is only possible in most cases to lay down a small proportion of the existing arable and the remainder must either go out of cultivation or the plough must be kept going to provide the winter milk ration. This explains why arable milk production does not mean wholesale laying down to grass, but a change of system under which some fields go out of cultivation, some are laid down, and some are kept under the plough for corn, roots and temporary pasture to provide rations and litter for the milking herd. Thus corn, which still has to be grown at a loss, becomes secondary instead of primary and may either be consumed as part of the milk ration or may be sold at a loss according to the relative prices of corn and other feeding stuffs at any given time. But there is this vital difference that whereas under the four-course shift, when the harvest was profitable, the farmer's object was to grow as large an area of corn as possible he now limits his cereal growing to the necessities

of his herds and his objective is often the straw rather than the grain.

The change over to milk production has not solved the arable farmer's problem although it has reduced his losses. Milk production has now overtaken consumption and the distributing trade offers wholesale prices which are barely remunerative even when the whole output can be disposed of. Milk production is necessarily more costly on arable than on grass farms and surplus milk is almost unsaleable, also large imports of tinned condensed milk deprive fresh milk of a proportion of its available market. If the retail price of milk were fairly divided between producers and distributors the farmers' position would be more satisfactory, but without levelling any charge of unfairness against the distributors it is clearly true that they reserve sufficient to cover all their expenses and to leave themselves at least a fair profit and the balance then left available goes to the producer. In other words the distributor's price is based upon his costs plus profit, whilst the producer has to adapt his costs, including the disposal of a surplus, to the price allotted to him by the distributor. The position would have been even worse than it is but for the efforts of the National Farmers' Union who, through their Milk Committee, have negotiated the best terms obtainable; but milk is a highly perishable article and under the conditions I have mentioned the bargain remains one-sided.

There is one crop which has been profitable to many arable farmers during the last five years, viz., sugar beet.

It is not possible within the limits of this article to set out the history and prospects of the sugar beet industry in this country. I wrote a paper on this subject which was published in Vol. 89 of the Journal of the R.A.S.E. for the year 1928, and any one who cares to read it will find full details, statistics and particulars of the State subsidy, of acreage, of how the crop is grown and of the costs of the grower and at the factory. I will only say here that on suitable soil and in the climate of Eastern England sugar beet has been grown at a profit whilst the State subsidy and the price of sugar enabled the factory owners to pay a price of from 45s. to 60s. per ton for sugar beet delivered at the factory. The subsidy, however, is on a sliding scale diminishing by one-third every three years. Last year was the last of the second 3-year period so that for these next three years the subsidy is only one-third of that given during the first three

years. Even so, it might have been possible to maintain a price that would justify production but for the fact that the world price of sugar has fallen to an unprecedentedly low level so that the factory owners declined to offer a price affording any hope of profit to the grower. At the last moment, however, a slight concession was made by the Treasury representing, I believe, about 1s. 6d. per ton and with the exception of the Dutch Group the factory owners have offered 38s. per ton for sugar beet with 15½ per cent sugar content, a price which taking into account the feeding value of the tops may, with an average crop, leave a small return to the grower. The Dutch Group will only pay 30s. certain, plus any profit made at the factory after all their costs have been met. The N.F.U. could not advise acceptance of this offer but some East Anglian farmers are so desperately in need of a crop for which there is at any rate a market that they have agreed to grow beets on these terms. I cannot yet say whether sufficient acreage has been promised to justify the factories in working this year.

This brief summary shows that whilst sugar beet has been a helpful crop to many arable farmers during the past six years of falling prices there is little or nothing to be hoped for from it now when price levels have slumped still further, and unless either the subsidy or the price of sugar or both are materially increased this crop can do nothing to alter the general situation.

I have now described the position as to the principal products of arable farming, viz., cereals, meat, milk, and sugar beet. I have not referred to pigs, to potatoes, to dairy products other than milk, or to fruit cultivation. All of these are of considerable but subsidiary importance, but a detailed discussion of each would be outside the scope of this article. I will only say that pigs are in many cases more than subsidiary and can with luck and good management be a great help to the arable farmer. They consume unsaleable barley and waste products from the dairy, they are prolific and the turnover is quicker than with any other farm animal, but they are terribly subject to attacks of disease particularly where many are kept together, so that losses are apt to be heavy. Prices also fluctuate over a wide range and are affected by large importations of foreign bacon.

In a normal season we produce enough maincrop potatoes to supply all national requirements, but the market is liable to be flooded by foreign imports with results highly detrimental to British growers and with no corresponding benefit to

consumers. There is a considerable import of early potatoes which does not so directly affect British growers, because new potatoes are a luxury and command higher prices than main-crop potatoes, but they do come on to the market whilst excellent maincrops are still available. It should also be noted that successful potato growing requires a certain type of soil the area of which is circumscribed and is quite well defined, so that except through unprofitable markets driving potato growers to substitute other competitive crops the interests affected, though very important, are not so general as in the case of cereals, meat and milk.

Dairy products other than milk are secondary and can only be of value for dealing with surplus milk. It takes 3 gallons of milk to make 1 lb. of butter which fetches from 1s. 6d. to 2s. I have no experience of cheese making but I believe the same consideration applies.

Poultry and fruit growing are both important industries but both are intensive and affect comparatively small areas. Poultry are a valuable asset on any farm, but no one will contend that either they or fruit culture can afford profitable employment for the large tracts of arable land which are the subject of this article. Cereals, meat and milk in varying proportions can alone fill the bill, and if conditions are imposed upon the industry which deny it a profit on this combination it is futile to raise side issues except as red herrings to divert attention from the shameful realities of the situation. The word "shameful" is not too strong as the plight of arable agriculture is directly due to the action of Parliament. Its costs are, as I have already explained, national and political, whilst its prices are international and economic. Had the economic law been allowed to affect costs as well as prices wages must inevitably have fallen. Parliament rightly thought that this would be a calamity and one wholly undeserved by the agricultural workers. It has therefore been enacted that wages are to be fixed by wages boards controlled by independent members and obliged by the terms of the statute to fix a wage adequate to the necessities of the worker but without regard to the employers' ability to pay. In its original form this legislation was accompanied by a subsidy on wheat and oats which was to be payable for 4 years certain but which was withdrawn after the first year's payment. Since then the liability has been reimposed but without the subsidy, so that Parliament has salved its own conscience at the expense of arable farmers

and has placed upon them a statutory burden borne by no other industry. Short of violence I doubt if there is any record in any civilized community of more unfair treatment of an industry by the national legislature.

Such action is not only unfair but shortsighted. It is true that for the moment the farmer and not the Chancellor of the Exchequer has to make good the deficit Parliament has created, but he can only do so by the shifts and changes I have already described involving increased importations of foreign food supplies and decreased agricultural employment. Many thousands of acres capable of food production are producing nothing and can produce nothing except at a loss. Now Parliament, instead of admitting its error and completing its good work for the labourer, by giving his employer also a chance to live, proposes to spend millions on establishing state farms and subsidized small holders. So far as I am aware the inspiration of this policy is wholly political and it has received neither approval nor support from any one with practical experience of farming. It cannot benefit a single farmer or labourer and is justified on the ground that farmers are inefficient, thus literally adding insult to injury.

A Marketing Bill has also been introduced to set up compulsory selling combinations for producers shepherded by rival combinations for consumers. Such a system will doubtless find several people a job at the taxpayers' expense, but it cannot give any effective help to agriculture as it imposes no restriction or control of any kind on the imports from overseas which are depriving British agriculture of its market. In this connection it may be recalled that the great co-operative societies, who have unique marketing facilities within their own organization, and who hold views similar to those which have inspired the authors of the Marketing Bill, decided after the war to undertake farming on their own account on a large scale. They invested 3 millions of money in the purchase and stocking of farms and none will underrate their business ability; nevertheless after several years' trial their farming losses were so heavy and persistent that they decided to go out of farming which they did after losing 2 millions out of the 3 they had invested. Why has this object lesson been disregarded unless because political exigencies outweigh any reasoning based on practical experience?

I have so far purposely omitted any statistics as these are difficult to combine with a general statement. But the following

figures may be of interest as confirming the case I have endeavoured to present.

First as to agricultural wages.

There is much misapprehension about the actual wages paid to agricultural workers. It is usual to quote the minimum wage rate and to assume that it applies to agricultural labour generally.

This is not the case as a large proportion of the workers are on higher rates and harvest wages and other extras have to be added.

The minimum wage here is 30s., but the actual wages paid average just £2 per man and the married workers are provided with good 5-roomed cottages and ¼-acre gardens either free or at a rent of 1s. 6d. or 2s. per week.

The pre-war wage actually paid here averaged exactly £1 so that the increase is just 100 per cent., but the present hours are so much shorter that the cost of labour has been increased by at least 120 per cent.

As to prices the index number, *i.e.*, the price value of agricultural produce stood in November last at 29 per cent above pre-war. But wheat was at a price 7 per cent below pre-war, oats, wool 12 per cent below pre-war, and hay 4 per cent below. Barley has been practically unsaleable and quoted prices are well below the pre-war level.

Cattle prices were in November last 31 per cent above pre-war, Sheep 62 per cent above, and Bacon 25 per cent.

All these prices have, however, fallen considerably since those figures were published. Both cattle and sheep are heavily down. Fat Southdown hoggets sold April last year averaged 74s. 10d. in the wool. This year similar sheep averaged 61s. 7d. Suffolk hoggets averaged 94s. 6d. last April, this April 76s. 4d. Fat cattle were selling at 55s. 2d. a cwt., now at 49s. 2d.

The cost of implements, repairs, harness and shoeing has increased to approximately 100 per cent above pre-war.

Feeding stuffs up to this year were up about 60 per cent above pre-war, but this year they are down to nearer 20 per cent. This is largely because farmers ceased to buy manufactured feeding stuffs and fed their unsaleable corn to their stock. This may sound profitable, but many farmers are short of stock owing to the bad times, and in any case this practice involves several months delay in realizing any money from the cereal crop, during which time wages and other expenses have to be met as usual. This illustrates one of the farmers' disabilities,

viz., the slowness of his turnover. Nature's processes cannot be hurried or accelerated and cannot be modified to suit changing market conditions. It takes two years from the birth of a ewe lamb to get a lamb from her and longer than that in the case of cattle breeding.

I will add only one other set of figures, viz., those of agricultural employment.

In 1871 there were 1,222,000 male workers employed in agriculture in England and Wales. In 1930 there were 644,000, a reduction of nearly half, and it can truly be said to-day that no farmer can go on to his farm without seeing some job that wants doing but which with present prices and under wages board rules he has to leave undone.

What is the remedy for this state of things? Agricultural depression is not confined to these islands although it is accentuated by our higher standard of living. There is undoubtedly world over-production of wheat and beef, and markets are further demoralized through dumping by the Russian Soviet Government whose stolen capital and forced labour reduces their costs of production far below the normal economic level and makes price competition with them impossible.

We have, however, an asset of inestimable value in our own market which can absorb more than our entire agricultural output and which is the objective of all the food-producing countries of the world. If the nation will only secure to British agriculture the first call on our own market its prosperity can quickly be restored. Ah! says anyone who has done me the honour to follow me so far, this means food taxes and dear food and we won't have it. I quite admit that a tariff imposed solely for the benefit of agriculture and regardless of its effect on prices is impracticable, but I submit that by controlling imports, partially by tariffs and partially by licensing, and by the use of a wheat quota, not only can British agriculture be restored but Empire agriculture can also be benefited and encouraged, and this method with proper safeguards can be applied without the risk of any appreciable increase in the cost of food to British consumers.

Let us consider cereals first. In the case of wheat it would obviously be contrary to the consumers' interest to attempt to bridge the enormous gap between the world price, to-day 25s. to 30s. a quarter, and the cost of production here, which is about 50s. a quarter, by an import duty. But it is proposed to require

British millers to use a percentage of British wheat. This would be 15 per cent under present conditions and might sufficiently encourage wheat growing to justify an ultimate quota of 25 per cent or even more. Our wheat imports from the Empire are at present 45 per cent and might under a quota system and with reciprocal advantages to our industrial exports to the Dominions be increased to 60 per cent, which, with a home production of 25 per cent would leave 15 per cent to come from non-Empire sources such as the Argentine.

In the case of Empire wheat no import duty or subsidy would be required, as Empire capacity for production is well above the figure mentioned and competition between the Dominions would safeguard prices whilst the quota would secure them a market. In the case of British wheat, where the costs of production are national and compulsory, a guaranteed price would be fixed calculated to cover the normal cost of production with a small margin of profit. The cost of this would if added to the millers' costs at present prices involve an increase of 1s. 6d. in price of a sack of flour. But it requires a rise or fall of 5s. 6d. in the sack of flour to affect the price of the 4-lb. loaf by ½d., so that the contribution of the consumer would be almost negligible. If, however, Parliament refuses to face even this small increase for such a great national objective the deficiency can be met by a treasury grant which would, on the present difference of £1 a quarter between world price and home costs, amount to about 4 millions; if this price difference is maintained and wheat growing extends the cost might eventually rise to from 6 to 7 millions, but it is unlikely that the world price of wheat can remain at its present low level and every rise in the world price would correspondingly reduce the subsidy or the cost of the quota to the consumer.

A scheme has been prepared on this basis in which all working details are provided for and it may be noted that similar quota schemes are already in successful operation in most European countries, including France and Germany. Surely if these countries find it worth while to secure their market to their own wheat growers we can usefully do likewise.

As to barley a difficulty arises as between barley used for feeding purposes, especially for pigs, and barley used for malting and distilling. It is the latter only for which it is desired to secure a market and this, in view of treaty engagements, can only be

effected by a duty on imports of barley for other than feeding purposes. There is a difficulty is distinguishing this, but it can be surmounted by requiring that imported barley to be free of duty must be either stained or kibbled and so rendered unfit for malting purposes. On other barley there should be an import duty with a rebate in the case of Empire barley. The cost of barley is such a small item in the cost of beer or whisky that a moderate duty could not possibly affect prices whilst it would be of considerable assistance to British barley growers.

Oats can be grown in every parish in the Kingdom and foreign dumping, especially Russian, is rampant. A small duty with advantage or free entry for Empire oats might well be imposed. Manufactured cereal products would also require consideration on the same lines.

Sugar beet can be dealt with either as at present by a subsidy or by a duty on imported sugar with no corresponding excise on the home produced article. This can be provided for at a less cost than that incurred for the subsidy paid during the past six years.

In the case of potatoes, as I have already shown, we are normally self-supporting and an anti-dumping duty, also applied to new potatoes, which are a luxury, would meet the requirements, but it would be necessary for the Government of the day to reserve the power to reduce or remit the duty if and when any seasonal scarcity occurred.

As regards fruit and vegetables, a tariff, seasonal in some cases, can be imposed on many of these imports without detriment to the consumers. Here details have been worked out and are available when required.

As to Beef and Mutton, we are not self-supporting, but a large proportion of our imports are from Empire sources. It is worth considering whether a small duty might not be imposed on foreign meat imports with free entry for Empire meat.

This does not apply to bacon and hams, on which I should not suggest a duty in the interests of British agriculture, but such a duty might become a subject of negotiation with the dominions.

As to Milk we are self-supporting in raw milk, and I have dealt fully with this already. Some restriction should certainly be placed on the importation of tinned condensed skim milk which

has a very low food value and might with great advantage to the public health give place to the home product.

In conclusion may I say that there is one thing which frequently misleads public opinion about the responsibility for the condition of the farming industry, viz., the perpetual stream of advice, especially scientific advice, which is showered upon farmers in every agricultural publication. This creates an impression in the public mind that if only farmers would take the advice and adopt the methods suggested they would still be prosperous and that their present condition is largely due to their own want of enterprise. This is a complete delusion. Far be it from me to undervalue the science and research to which we owe so much, but progress along these lines is necessarily slow and partial. There is an endless variety of soil and climate, and the treatment that answers in one field in one season may be positively harmful on the same field in another season or in another field in the same season. Science and machinery can slowly and by degrees increase output and reduce costs of production, but they cannot materially or immediately reduce the present hiatus. The best and only foundation for progress on scientific lines is a profitable industry which can afford experiments and where there is competition for land to cultivate. Science can stimulate a healthy agriculture but cannot restore the economic balance now so grievously awry.

National Finance and National Capital

THE national accounts for the past few years together with the recommendations contained in the current budget have aroused serious thought as to how far we as a nation are paying our way : and while some consolation can be derived from the knowledge that other nations are finding their finances reduced to a still more serious plight by the severity of the trade depression, there is no justification for any self-delusion as to our position. To test, therefore, how we ourselves stand from the point of view not only of the Exchequer but of the private individual the following tables have been prepared.

The first table shows the actual net amount available, after making all necessary corrections and allowances, for the redemption of debt by the Treasury.

	1929-30.	1930-31.	1931-32.*	Total 1929-32.*
	£ mill.	£ mill.	£ mill.	£ mill.
Sinking Fund	47·7	66·8	52·1 ?	166·6
Add Budget Surplus	Nil	Nil	0·1 ?	0·1
Deduct (*a*) Budget deficit	14·5	23·3	Nil ?	37·8
(*b*) Extra provision for Savings Certificates	4·8	3·0	?	7·8
(*c*) Borrowings by Unemployment Insurance Fund	3·0	36·4	45·0 ?	84·4
(*d*) " Appropriations from Reserve "—				
1. Rating Relief Suspense Account	2·6	16·0	4·0	22·6
2. Exchange Reserve Account	Nil	Nil	20·0	20·0
Net amount available for debt reduction (+) or net additional borrowing needed (−) ..	+22·8	−11·9	−16·8 ?	−5·9

* Estimated.

In the above table, the first line shows the amount allocated each year to the new Sinking Fund (1928), and applied to the redemption of debt. Next comes the budget surplus (if any), which is or should be also available for debt redemption; and the budget deficit (if any), which reduces the amount provided by the sinking fund for debt redemption. Next comes extra provision required for interest on savings certificates, representing the difference between the actuarial allowance made each year in the budget for the gradual accumulation of interest, and the actual money paid out in respect of interest on certificates encashed during the year. This sum in 1929–30 had to be borrowed specially, while in 1930–31 the discrepancy led to a fictitious increase in the sinking fund, which has to be corrected. The next allowance needed is that for the large amounts now being borrowed by the Unemployment Insurance Fund. This clearly involves an increase in the National Debt, and so must be ranked as an off-set against the Sinking Fund.

The two items grouped as " Appropriations from Reserve " need some further explanation. It is against the practice of the Treasury to keep its reserves immobilised in the form of idle cash, and indeed the portion of the Floating Debt described as " Advances from Public Departments " in reality represents transfers by certain departments of their idle funds to the Treasury in advance of the dates on which they are strictly due

to hand them over. Thus there is reason to believe that both the Rating Relief Suspense Account and the Dollar Exchange Reserve Fund were in practice handed over to the Treasury soon after their creation, and applied by the Treasury to meeting current expenditure, to the redemption of existing debt, or to the avoidance of fresh borrowing. If so, these sums at the time that they were formally appropriated to the revenue of the year existed only on paper, and so their appropriation in reality involves fresh borrowing. In any case, they cannot claim to rank as current income and so it is necessary to off-set them against the sinking fund.*

The figures for 1931–32 are largely tentative, and for that reason are in most cases followed by a (?). The same qualification obviously applies to the last column giving the net total for the whole period covered in the table.

The net result from the Treasury's point of view is that, so far from a total of £166·6 millions being available for debt redemption, as is suggested by the cumulative figure for sinking fund appropriations, it seems likely that during the three years ending March 31st next, the capital fund of the country will have been drawn upon to the extent of £5·9 millions to meet net borrowing by the Government alone.

This, unfortunately, is by no means the whole of the story. Passing over all individual cases where the tax-payer has to draw upon his capital in order to meet the collector's demand (and in the difficult days of 1930–31 such cases were far from negligible), there remain specific taxes which are levied not on current earnings, consumption or business activity, but upon the nation's capital fund. These are set out in the next table, which begins with the final line of the preceding table and develops the story therefrom :—

	1929-30.	1930-31.	1931-32.†	Total 1929-32.†
	£ mill.	£ mill.	£ mill.	£ mill.
Net addition to (+) or subtraction from (−) the Capital Fund of the nation, due to Government debt redemption or creation	+22·8	−11·9	−16·8	− 5·9
Tax levies on Capital Fund—				
(*a*) Estate Duties	79·8	82·6	90·0	252·4
(*b*) Forestalment of Income Tax ..	Nil	Nil	10·0	10·0
Total draft upon Capital Fund ..	57·0	94·5	116·8	268·3

* Conversely, inasmuch as the Rating Relief Suspense Account was partly created out of the surplus for 1927-8 and 1928-9, it would in those years have been legitimate to *add* it to the Sinking Fund.

† Estimated.

The inclusion of Estate Duties in this table needs no justification. They are admittedly a tax upon capital. The inclusion here of Mr. Snowden's proposal to raise an extra £10,000,000 this year, by making certain income tax payers pay in future three-quarters of their tax in January and one-quarter in July needs some explanation. If it is agreed that this is a non-recurrent source of revenue and also that it is not equivalent to an increase in the rate of the tax, then to recall Mr. Churchill's words at the time he dealt with Schedule A tax-payers in a similar fashion, it represents a forced loan from the tax-payers concerned, repayable at the Day of Judgment. On this ground it can fairly be included in the table.

The upshot is that during three years of commercial loss and depression, Government expenditure of one kind and another is depleting the nation's capital fund by an amount which, allowing a wide margin for inevitable discrepancies, is of the order of 250 to 300 million pounds. This sum may appear insignificant in comparison with the total national capital (estimated recently by Sir Josiah Stamp at 16,695 to 19,395 millions), but it becomes far more important when set against the nation's working capital, arrived at after deducting all fixed assets from the gross sum. It is results of this kind that illustrate the extent to which excessive Government expenditure is making inroads upon the resources needed to conduct and develop the nation's business, and also give some indication of the minimum extent of the economies that it is imperative to effect.

Finance and Industry

(9) Bills of Exchange (b)

BILLS of exchange fall into various classes, and as they originate from every kind of financial and commercial transaction, it is difficult to give an exact classification. They can, however, be defined in five main ways.

(*a*) According to the currency in which they are drawn. Thus, a sterling bill is one drawn in and therefore payable in pounds sterling.

(*b*) According to their usance, i.e., the time they have to run before maturity. Thus, a three months' bill is one maturing in three months, and it is important to notice that

the " three months " refers to the time that has to elapse before maturity from the date at which the bill is so described, and not from the date at which the bill was originally drawn and accepted. Thus, a three months' bill drawn and accepted in January and payable in April would in March be described as a " one month's " bill; and if, as often happens, a bill is drawn payable at a given date or at so many days or months after date or sight, so that it matured, for example, in May, it would then be described in March as a two months' bill. It is customary to speak of bills with less than three months to run as " short " bills. Three months' bank bills are in a sense the standard commodity of the London discount market, and the " market " rate of discount is the rate at which bills of this kind are dealt in at any moment. Treasury bills in practice are three months' bills. " Hot Treasuries " are bills that have just been issued by tender, and have been paid for during the current week, and which therefore have practically their full three months to run.

(*c*) According to their origin or purpose. A " trade " bill is one drawn in connection with the sale of goods. The description may be even more precise—thus, a " cotton " bill is one drawn against a sale of cotton. A " finance " bill is conversely a bill drawn and discounted at the best rate obtainable for the purpose of obtaining temporary funds. Treasury bills are a particular case of this. Every week the British Government offers a quantity of three months' bills drawn on the Treasury, and in exchange for the money paid on the spot for these bills engages to pay them at their face value in three months' time. An exact description of this operation is reserved for a later article, but here it is important to observe that it is nothing more than a means by which the Treasury raises a loan for three months.

(*d*) According to the nature of the names on the bill. Everyone who draws, accepts, or endorses a bill, unless he endorses it " without recourse," assumes liability that the bill will be met, and his name is said to be on the bill. It is obvious that the higher the standing of one or more names on the bill, the greater will be the security behind the bill, and so the finer (i.e., the lower) will be the rate of discount that the bill commands. A " bank " bill is a bill carrying the name of one or more recognised London banks or Accepting

Houses, and these, together with Treasury bills, command the finest rates of all. A "Fine Trade" bill carries the names of commercial firms of unquestionable integrity, and these command nearly as good rates. At the other end of the scale come, among others, bills drawn by one associate upon another, simply to enable both parties (nominally independent, but in reality acting together) to raise funds by discounting such bills. These are colloquially termed "pig upon pork," and when detected are rejected by the market. Remittance Bills are not, of course, included in this category.

(*e*) According to their state. When a bill is originally drawn against a shipment of goods, it usually has attached to it the documents of title to the goods, such as the invoice, the bill of lading, the insurance policy, certificate of origin, etc., so that the holder of the bill possesses also a hold over the goods until he is assured all is in order. In some cases a bill is stamped D.A., and these letters, which stand for "documents against acceptance," mean that the buyer of the goods is not given the documents of title until he has accepted the bill. In other cases the bill is stamped D.P., or "documents against payment," and then the documents are only surrendered when the bill is paid.* Bills with these documents attached to them are called "documentary bills," whereas once the documents have been detached, the bills are known as "clean bills." In practice, the London money market only deals in clean bills. The objection to a documentary bill is that the holder's security ultimately consists of the goods themselves, and it would be impracticable for a London bill-broker to have one fine summer day to dispose of a cargo of sheepskins. Thus he does not deal in bills, until his ultimate security has been translated into that of the credit and resources of a bank or financial institution of unquestionable standing.

This completes the broad description of the various kinds of bills of exchange. Subsequent articles will consider the ways in which they reach the London money market, and the ways in which the market disposes of them.

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* Various arrangements exist which permit the buyer of the goods to obtain delivery of all or part of the goods in advance of payment, by giving suitable guarantees to the holder of the bill. Thus, the goods may be released in advance to the buyer in exchange for a signed undertaking called a "Trust Receipt."

Notes of the Month

The Money Market.—After having remained at 3 per cent for just over a year, the Bank rate was reduced to 2½ per cent on May 14th. The reason for the reduction lay in the general decline in American money rates a week before, culminating in the reduction of the New York Federal Reserve Bank's rediscount rate to 1½ per cent. With bankers' acceptances quoted in New York at rates as low as 1 per cent for short-dated maturities, it was obvious that there was little danger of a fall in London rates having the effect of driving money back to New York. Hence, on May 8th, the Bank of England let it be known that a minimum market discount rate of $2\frac{9}{16}$ per cent was no longer essential, and six days later followed up its relaxation of control by the reduction in Bank rate. As matters turned out, on this occasion the fall in Bank rate has not had its normal effects upon other money rates, for the clearing banks did not feel justified in making any reduction either in their rate paid on London deposits or in the minimum rate at which they lend money to the money market. With bill-brokers still having to pay 2 per cent for the bulk of their loans, there appeared to be little margin for any fall in market discount rates below the level of $2\frac{1}{4}$–$\frac{5}{16}$ per cent established immediately after the relaxation of control and before the reduction in Bank rate, but even so, by the following week they had eased to practically 2 per cent. During the last fortnight of May, heavy issues of Treasury bills were made, mainly to provide the Government with the funds required for the payment of the June 1st dividend on the 5 per cent War Loan. This meant that the market had more bills than usual to pay for, and as a plethora of bills normally causes higher discount rates, it is in some ways surprising that discount rates should have fallen as low as 2 per cent.

The Foreign Exchanges.—From one important standpoint, it is to be hoped that discount rates will not fall below 2 per cent, for if American money rates are low enough to prevent any danger of an efflux of funds to New York developing, the Paris position was by no means as clear. A considerable amount of French money is now in London, and while, so far as can be told, French money rates are now only a shade over one per cent, French houses when they put money into London usually insure its return by a forward purchase of francs at the time they send

their money to London. The cost of this forward purchase works out at current rates to approximately the equivalent of 1 per cent per annum on the sum involved, and so to pay French houses to employ funds in London, they must be able to earn on them at least 2 per cent. So long as Paris houses continue to cover their exchange, and so long as forward francs remain at their present high premium, a sustained fall in London rates below these levels, might easily involve the loss of large sums to Paris, leading in turn to a depreciation of sterling and even to gold losses. To a limited extent sterling has depreciated since the $2\frac{9}{16}$ per cent market rate ceased to be in force, for the Paris exchange has fallen from frs. 124.47 to frs. 124.36. Other rates also moved against London as the result of the fall in London rates, and as the table on page 250 shows, these include such important rates as those on New York, Berlin, Berne and Amsterdam. This shows that the recent strength of sterling against the leading foreign currencies was not so much due to an improvement in Great Britain's trading position as to the fact that the relatively high rates obtaining in London between the end of January and early May attracted here a large quantity of foreign funds. Now that London money rates have fallen, the true and somewhat unstable character of sterling's recent strength is becoming apparent, and it is clear that the foreign exchange situation will have to be carefully watched. The fact that sterling has since recovered part of the ground lost at the time of the Bank rate reduction shows, however, that so far the true measure of the position has been taken.

The Stock Exchange.—During the past month activity was confined entirely to the gilt-edged market, where appreciable price increases were recorded. The cause of the improvement lay partly in the fall in money rates, but the main reason was the somewhat mournful one that in the present state of trade few investors dare to venture their capital elsewhere. This lack of confidence, together with some forced liquidation arising out of failures in New York, led to a general fall in prices in other markets. Foreign bonds were weak, and home railway stocks fell to extremely low levels owing to poor traffic returns and evidence of a somewhat pessimistic character given before the Railway Rates Tribunal. The industrial market also had a downward trend, largely owing to persistent selling from the North of England and to unfavourable developments in New

York. Oil shares were irregular, and the rubber market depressed and idle. Gold mining shares have reacted after their improvement earlier in the year. In reviewing the stock exchange as a whole, it must be emphasised that outside the market for British Government securities sellers have recently greatly predominated over buyers. This explains to some extent the numerous heavy falls in prices.

Overseas Trade.—The most that can be said about the April trade returns is that when allowance is made for the interruption to business caused by the Easter holidays, they are in some respects a little better than those of the previous months. In particular there was a slight increase over March in raw material imports.

Description.	Jan.–Apl., 1930.	Jan.–Apl., 1931.	Increase (+) or Decrease (−)
Total Imports	367·4	279·8	— 87·6
Retained Imports	335·1	255·9	— 79·2
Raw Material, Imports	98·9	61·7	— 37·2
Total Exports, British Goods	211·0	135·8	— 75·2
Coal Exports	16·4	11·2	— 5·2
British Manufactured Goods, Exports ..	165·0	102·7	— 62·3
Re-Exports	32·3	23·9	— 8·4
Total Exports..	243·3	159·7	— 83·6
Visible Trade Balance	— 124·1	— 120·1	+ 4·0

The returns for the first four months of the year are inevitably disappointing. Compared with January–April, 1930, total imports have fallen in value by 24 per cent, and imports of raw material by nearly 38 per cent. Exports of British manufactures have also fallen by nearly 38 per cent, and if this last category be examined in detail it will be found that exports of iron and steel are lower by 45 per cent, those of machinery by 31 per cent, and those of cotton, yarn and cloth by 48 per cent. Similar contractions are to be found in most of the remaining staple trades, and all that can be said of these percentage declines is that, serious as they are, they are not quite so big as those recorded in the first quarter of the year. The main impression left by the April returns is that our overseas trade is beginning to stabilise at its present inordinately low level. This is a far from satisfactory state of affairs.

Home Reports

The Industrial Situation

The past few weeks have witnessed a certain amount of forced liquidation both at home and abroad, and this accounts to some extent for the further fall of prices both on the Stock Exchange and in the commodity markets. The most serious feature of the present situation is the wide-spread lack of confidence in the future, evidence of this being found both in the general failure of business to make any progress and in the fact that the average investor is concentrating solely upon British Government securities. The most that can be said to-day is that, as the foreign trade returns suggest, business may be stabilising at its present low level of activity, and that by itself is far from satisfactory. Even so, the renewed fall in commodity prices, and the April decline in iron and steel production, show that even the present level of business may not be maintained, and it is doubtful if the hopes widely expressed earlier in the year that the bottom of the trade depression had nearly been reached are justifiable to-day.

Agriculture

England and Wales.—Autumn sown crops, according to an official report, were less forward than usual, and spring sowings were hindered in April by heavy rain. Preparation of land for root crops was also delayed. Live-stock were, on the whole, in satisfactory condition and milk yields about average.

Scotland.—Sowing and planting are practically completed, and given a spell of warm weather vegetation should now make up the leeway lost during the cold spell of April and May. In the grain markets wheat and barley have been firm, but oats were slightly easier. Potato prices are well maintained. Both cattle and sheep have fallen in price.

Coal

Business is very limited and irregular, additional uncertainty being caused by variations between schedule prices in different districts and by the operation of the new quota system. Stocks of small coal are accumulating.

Hull.—The enquiry is limited, but prices remain high owing to curtailed outputs.

Newcastle-on-Tyne.—The market remains very weak. Northumberland steam coals, which were in somewhat better demand last month, are now at minimum prices, and weakly held. Durham coal is moving very slowly, and heavy coke stocks are accumulating. Many collieries are working short time.

Sheffield.—Demand for house and gas coal has declined almost to summer proportions. Industrial fuels are also in poor demand. Export business, though fairly good, is below normal for the time of the year.

Cardiff.—With the exception of Monmouthshire and other bituminous large coals, which are in fair demand and in some cases have realised more than schedule prices, supplies are in excess of present requirements. Sized coals are easy and small coals are a drug on the market. Demand for coke and patent fuel continues poor.

Newport.—Foreign shipments during the past month have been on rather a better level. Monmouthshire large coal has been in more demand, but smalls are available in excess of requirements. Patent fuel shipments have ceased temporarily owing to the closing of the works.

Swansea.—The steam coal trade remains in a very unsatisfactory condition. In the anthracite section there is a good demand for large coal and French nuts. Rubbly culm and duff are difficult to dispose of, and prices are weaker.

East of Scotland.—Markets remain depressed, and coal is only moving off very slowly.

Glasgow.—The seasonal decline in home demand and scarcity of export business has necessitated a considerable reduction in output. Stocks are large and prices weak, while enquiries from abroad are very limited.

Iron and Steel

There is no sign of any improvement, and April steel production figures, quoted on a subsequent page, were 100,000 tons below those of March.

Birmingham.—Trade is no better, notwithstanding a recent reduction of 2s. 6d. per ton in pig iron prices.

Sheffield.—The lack of overseas orders for special and tool steels is being felt severely by firms who have hitherto specialized in export markets. Demand for railway materials is quiet and far below average.

Walsall.—A few firms are busy with orders for parts for lightweight motor cycles, which were the subject of tax concessions in the recent Budget.

Newport.—The galvanized sheet and tinplate trades are still suffering from depressed prices and decreased demand.

Swansea.—Tinplates are a weaker market.

Glasgow.—Though inquiries are more numerous, actual orders are still very scarce, and it is difficult to keep plants fully employed. Only seven furnaces are now in blast, and consumption is restricted and continental competition severe.

Engineering

Birmingham.—Heavy engineering remains very depressed, but the electrical section is better placed. Motor car manufacturers are quieter on the termination of their season's programme. Small machine-tool makers are also less active.

Coventry.—The improving weather and the approach of Whitsuntide have stimulated the demand for light cars. Export business in medium priced models is being successfully developed. Cycle manufacturers report activity, but apart from a better demand for the lighter models, the motor cycle trade remains quiet. Electrical engineers are very active, and machine-tool makers remain fairly well employed.

Luton.—There is very little change in the Motor trade, though, if anything, there is a slight improvement in the light lorry trade. The general engineering trade is dull, but some branches are fairly busy. In the iron foundries there is some improvement over last month.

Sheffield.—Firms catering for the automobile industry and some branches of the tool trades report a slight improvement. The file and saw trades are very quiet.

Belfast.—The shipbuilding industry is suffering from an acute shortage of new orders, but a fair amount of repair work has lately been in hand, and this has been some compensation.

Glasgow.—The engineering trades are without exception very quiet, particularly the marine branch, which is suffering from the depression in the shipbuilding industry.

Metal and Hardware Trades

Birmingham.—The mills are working short time, and few substantial orders are being received. Overseas trade is still very dull.

Sheffield.—The spoon and fork trade shows a slight improvement. Elsewhere very few firms are working full time. Exports for April show a further decline.

Cotton

Liverpool.—Market conditions continue very depressed. Almost all growths have suffered from the lack of demand, but there has been a sudden revival of interest this month in Russian cotton, several thousand bales of which have been imported and gone into consumption, whilst further consignments are expected shortly. The staple is in most quarters held to equal that of good Eastern Texas, and usually sells at about ⅓d. per lb. cheaper. Quotations have shown a declining tendency throughout the period under review, and, with near delivery around the fivepenny level, are at the lowest point since the war. Current factors give no promise of any early recovery. Whilst the trade situation in Lancashire would seem almost as bad as it can be, reports from Continental centres are only relatively better, and in the United States cloth sales are reported to be well below current production. As regards the new American crop, in spite of this season's intensive campaign in favour of a reduction of acreage under cotton, it is estimated that some 42 million acres will be sown; in this event, given average growing conditions, it appears likely that, upon the basis of previous years, the final yield of the crop will not fall far short of 14 million bales. Should a crop of this size eventuate the position will become very difficult in face of the enormous

existing stocks and the fact that the present rate of consumption of American cotton is less than 11 million bales per annum.

Wool

Conditions have on the whole remained quiet, but in some quarters an expansion in trade was expected to materialise after the Whitsun holidays, and it was hoped that the French strikes might divert some business to Yorkshire.

Bradford.—There is a steady flow of business which has been strengthened by the firm finish of the London Wool Sales. Top makers have confidence in present merino values, and efforts to place business below these are firmly rejected.

Leicester.—Home trade is slow, and export business very difficult to obtain, probably due to the uncertainty regarding wool prices. These are now more stabilised, and should give more confidence.

Hawick.—There is no improvement in the Border tweed trade and patterns for the spring of 1932 are not finding a great market. Tailors and clothiers are not ordering beyond their immediate needs, and merchants are disinclined to add to their stocks, even though these are depleted. Hosiery manufacturers are also quiet, and spinners and dyers complain of dull trade.

Other Textiles

Belfast.—Supplies of flax are now small, and prices are maintained. Manufacturers are pressing for yarn deliveries, and spinners of fine line numbers are not disposed to accept current prices. Demand for piece-goods is slow and steady, and confidence is returning with the greater stability of prices.

Dundee.—The wide disparity between raw jute values and the prices obtainable for yarns and cloth offers no inducement to purchasers, and business is very quiet.

Dunfermline.—Buyers in the Fifeshire linen trade are not showing any great disposition to extend their commitments, and business at home and abroad is disappointing.

Clothing

Leicester.—While hosiery production and sales are still below normal for this time of the year, there is a little better tone in some branches. In view of the restricted spending power, no immediate improvement is anticipated. Great disappointment is felt in the industry at the lack of any reference to Safeguarding in the Budget.

Luton.—The cold weather has materially affected the sales of ladies' hats and consequently the Spring Trade is now practically at an end.

Leather and Boots

Leicester.—Although home trade is still quiet, some departments report an improvement. There is very little alteration in styles and colours.

Northampton.—Business in the boot and shoe trade shows a slight improvement, but orders are usually of the " hand-to-mouth " variety. The leather trade is quiet, with a downward tendency in prices.

Walsall.—There is no improvement to report in the tanning and glove industries. The number of orders for leather sports goods continues satisfactory, but the volume of business is small.

Shipping

Hull.—Tonnage is in good supply, and rates rule easy.

Liverpool.—There is no improvement in the general freight position from the point of view of owners, but grain chartering from the River Plate area has been maintained on an active scale, and rates for early loading are now 22s. per ton, against only 12s. per ton quoted for the Argentine route in May last year.

Newcastle-on-Tyne.—Orders are scarce and the recent slight improvement in rates may not be maintained.

Newport.—Some laid up vessels have been moved as a result of the improvement in freight rates in certain markets. Great interest is being taken in the efforts to reduce the level of port charges throughout the country.

East of Scotland.—The dock returns at the Port of Leith give evidence of continued depression. Other branches of shipping are just about normal for the season.

Glasgow.—The market is very bare of enquiries for tonnage to carry coal from ports in Scotland and owing to scarcity of business rates are not subjected to a thorough test. The undertone, however, is easy.

Foodstuffs

Liverpool.—Local traders report a good turnover in wheat on large shipments by all the leading exporting countries. Both France and Germany have been heavy buyers, and Far Eastern countries have also absorbed good quantities. Quotations consequently have been well maintained at the higher level reached in April, notwithstanding the existence of a surplus in North America of some 400 million bushels. European crop reports indicate backward growth and only moderate condition, and with stocks in Europe generally light a steady continuance of overseas shipments on a substantial scale may be anticipated for some time. According to present information there will be a 15 per cent. reduction in the acreage of the main Canadian crop. Receipts of maize from the Argentine have been very heavy, and on a poor consumptive demand prices have given way. During the past month Continental bacon was in heavy supply, and prices showed a substantial reduction. American bacon was quiet and slightly lower in price, and hams were steady and in fair demand. The lard market was distinctly easier. Butter and cheese showed a good improvement all round, lower retail rates resulting in a large consumption. Butter stocks are very light compared with last year, and an improved trade is likely to continue. In the canned goods section, meats were a slower sale at lower values, but fruits and dried fruits were in good demand and prices advanced.

Fishing

West of England.—Mackerel fishing at Newlyn has been well above the average, and prices have been good. Trawl fish have been plentiful, but much cheaper. Local long-liners have been handicapped by the bad weather which for the time of the year

has been exceptional. The decline in landings at Brixham continues and prices are below average.

Scotland.—Most of the fleets are still engaged on the line fishing, and with supplies restricted, prices have been good. A start has now been made with the summer herring fishing. The quality is stated to be satisfactory and prices in certain cases have reached a high level.

Other Industries

Chemicals.—There has been some slight improvement in some departments, but in others the condition remains unchanged.

Paper-making and printing.—There is no change in the Edinburgh paper-making trade, very few of the mills being on full time. The printing side is also quiet, for while the case rooms are fairly busy the machine rooms have not much work on hand. Orders from the South are difficult to obtain.

Pottery.—Home markets are dull, but some little improvement is reported in the Australian trade. The Arbitrators in the wages dispute gave their award recently, this consisting of a 10 per cent reduction limited to certain workers.

Timber.—Trade was rather quiet in Hull with the exception of a good demand for building timbers and floorings. Most of these, however, are now being prepared abroad, as local mills are unable to compete. The large unsold stocks of 1930 Russian goods are depressing prices, particularly those of deals. Preference is being shown for the new goods, now arriving. Finnish and Swedish shippers are now reducing their prices to come into line with the Russian figures and contracts are being made on this basis.

Dominion Reports

Australia

From the National Bank of Australasia Limited

In rural areas the season is opening excellently. A better grown and heavier wool clip is expected, but wheat acreage may decrease owing to the Government's delay in helping needy

farmers. The general trend of trade is still downwards, and any improvement is being retarded by the political situation.

Canada

From the Imperial Bank of Canada

Prospects for an appreciable recovery at an early date are not bright, but there are increasing indications that the decline has been checked, and that conditions at least will be stabilised at the present low level. The wheat situation has been improved by the recent very heavy export shipments, but the absence of any spring improvement in business has had a bad psychological effect. Much will depend upon the year's crops, and the prices realised for them, but there is some evidence that farmers are curtailing their production costs and are also spreading their activities to cover a wider range.

India

Bombay reports that during April raw cotton prices declined, partly in sympathy with American prices and partly in consequence of large imports of foreign cotton. Still the decline brought Indian and Chinese buyers into the market, and the statistical position of Indian cotton is showing increasing strength. Movements of English piece-goods remain very small, but Japanese goods are selling freely owing to their lower price. The off-take of local goods has declined. Calcutta reports jute prices to be firmer on account of small imports, but recent business has been mainly speculative, and there is little genuine demand. Crop conditions are satisfactory. Rangoon reports a better Indian inquiry for timber. Stocks in India are small. Sales of hardware are restricted by the prevailing scarcity of money. Dealers' stocks are no smaller, and they are experiencing great difficulty in collecting accounts due from up-country customers.

Irish Free State

The budget contains increases of existing duties upon petrol and talking films, designed to meet proposals, costing £750,000, to relieve rates on agricultural land. The capital duty, payable on the formation of new companies, is to be

reduced from £1 to 5s. per cent. The farming outlook is promising, and weather conditions favourable. Demand for dairy cattle is poor, and prices are falling. There is a better market for first quality sheep and lambs.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited

March iron and steel production figures (the latest available) give the output of pig iron at 775,000 tons, against 898,000 tons in March, 1930; and that of steel at 722,000 tons against 848,000 tons. The number of furnaces in blast fell during the year from 152 to 133. Stock markets have been depressed, rentes and other French fixed interest securities alone showing any strength. The reduction of the New York rediscount rate had little immediate effect, but general conditions are now thought to favour an early rente conversion operation. Rentes of the 1915–16 5 per cent, 1920 6 per cent and 1927 6 per cent issues are now legally redeemable.

Bordeaux.—Weather in the vineyard has been unfavourable, and the vines are backward. There is a fair demand for good quality old wines. The resin market is unsettled, but the turpentine market is firm.

Le Havre.—Coffee prices fluctuated appreciably on the report of the imposition by Brazil of an export duty of 10s. per sack. Cotton prices fell during April in spite of better absorptions by spinners. No confidence is felt in recent crop reports.

Lille.—Prior to the outbreak of the strike in the textile trades, business was restricted and confidence lacking, mainly owing to the deadening effect of huge stocks. Prices of Russian flax were too high to stimulate any demands, and though jute prices were a shade harder, purchases were limited, and many mills were still working short time. The cotton situation was very uncertain, and the industry depressed to a corresponding degree.

Roubaix.—Before the strike combers and spinners were fairly busy, but manufacturers and finishers were as usual less well placed. Wool stocks were not unduly heavy. The dispute originated from a demand by the employers for a general

wage reduction of 10 per cent, with the object of reducing costs which for many firms had become too high. This was resisted by the workers on the ground that there had been no reduction in the cost of living. For a time it looked as if a compromise reduction of 5 per cent might be accepted, and the Government did its utmost to arrange a settlement. Unfortunately, all these efforts proved abortive, and the strike began on 18th May.

Marseilles.—Markets in copra, oil-seeds and olive oil have all been weak, and business very restricted.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—The steel trades have had a set-back, and prices are again weak, with business very limited. The coal trade is equally unsatisfactory, and there is no improvement in the textile or glass industries. On the stock exchange industrial share prices are very weak, and dealings restricted to a minimum.

Antwerp.—Apart from a slight improvement at the recent ivory sales, commodity markets have been quiet. On the Bourse there is a demand for Government stocks, but elsewhere prices have fallen.

Germany

From the Bank of British West Africa Limited

The April trade returns reveal a seasonal increase in imports to RM.654 millions, against RM. 584 millions in March. Exports fell by RM. 49 millions to RM. 818 millions, but this is a smaller decrease than is usual at this time of year. Ruhr coal stocks have risen to nearly 12 million tons, and sales of coal last April were 30 per cent lower than in April, 1929. The collieries have given notice to terminate the existing agreement with the miners on 30th June. The Bourse was adversely affected by the difficulties of the Austrian Credit-anstalt, by M. Briand's defeat in the French presidential election, and by the Geneva discussions on the proposed Austro-German customs union.

Holland

The general tone is pessimistic, and this is reflected in the prevailing weakness of stock exchange prices, as it is feared that

results for the current year will be so unsatisfactory as to compel dividend reductions in many cases. The current trend of internal business, however, is relatively satisfactory, and exports for the first quarter of 1931, though lower in value than those for the corresponding portion of 1930, were fractionally greater in volume. Imports declined in both value and volume. Home agriculture is also adjusting itself to the present lower level of prices.

Norway

The labour dispute, which began in April, continued into May, and no settlement was expected before the end of that month at the earliest, and possibly not until mid-summer. The stock markets have been weak, whaling shares being adversely affected by current political controversies regarding the industry, while industrial shares have reacted owing to the labour dispute. The timber market has been dull with demand very restricted.

Sweden

Foreign trade returns for the first quarter of 1931 record a big decline in exports compared with the previous year. Demand for timber has recently improved, and a considerable number of orders for shipment have been booked. The wood pulp market remains depressed. Iron production is being well maintained in comparison with the depressed state of the industry elsewhere.

Denmark

The labour troubles which appeared imminent a month ago were successfully settled in most industries, and it was only in the shoe trade that the trouble culminated in a lock-out. The difficulties of Danish farmers, due to heavy stocks, high tariffs, and the lessened purchasing power of their customers, are growing, as is shown by the recent increase in the number of compulsory sales of property. More general evidence of the depression appears from the fact that whereas in 1929 Denmark had a favourable balance of payments of kr. 44,000,000, last year it was replaced by an adverse balance of kr. 22,000,000.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Current reports show that certain industries are largely escaping the effects of the trade depression. Building is still prosperous, and agriculture is improving its position, mainly owing to the adoption of more efficient methods. Money has become less plentiful, as funds have either been absorbed by the numerous loans recently issued in Switzerland or transferred to London, where better rates are obtainable.

Spain

The political situation has become less settled than it was immediately after the revolution, and prices on the Bourse have reacted in consequence. The question of the stabilisation of the peseta is being referred to Parliament, but the note circulation has expanded by 500 million pesetas during the past year, and the Bank of Spain has been authorised to exceed the present limit to the note issue by 200 million pesetas. Unemployment exchanges have been opened in many centres, and credits granted for urgent work. The trade negotiations with France are to be continued shortly in Madrid.

Morocco

From the Bank of British West Africa Limited

The crop outlook is satisfactory, and harvesting has begun in the South. Business has developed a firmer tone, and stocks of imported goods are beginning to move, though those of cotton goods are still large. Building is extremely active, notably at Casablanca, and this market merits the attention of British suppliers of materials.

The United States

Trade is no better, and multiple shop and department stores show declines of over 5 per cent below sales for the first four months of 1930. Car-loading figures are below those of 1930, the returns for the first seventeen weeks of 1931 giving a figure of 12,251,758 cars, against 14,888,144 in the corresponding part of 1930. Company reports reveal considerable declines in profits, but it is believed that internal resources are in many

cases being strengthened. Insolvencies in April numbered 2,386, with liabilities of $50,868,000. This is the best result of any month this year. Sugar prices have again declined, and refining operations are considerably below last year's volume. Tyre-makers have increased their output, but it is feared that the improvement is temporary and seasonal. Non-ferrous metal markets are very weak. The steel industry worked in April at 49 per cent of capacity, against 54–55 per cent in March. Pig iron output was slightly better than in March, but the number of furnaces in blast declined from 116 to 113 during April. Cotton shipments to date are 224,902 bales below those of last year, but there are several indications that the coming crop will be definitely smaller than that of recent seasons. An acreage reduction of 12½ per cent is suggested. April sales of cotton goods were only 61 per cent of production, and shipments 96·3 per cent. Stocks consequently increased by 3 per cent.

South America

From the Bank of London & South America Limited

Buenos Aires.—Stock markets have improved on the announcement that a general election will be held next November. Maize shipments remain heavy, but import business is dull.

Rio de Janeiro.—An official announcement creates further taxation and confirms reductions in expenditure. A budget surplus of 3,450 contos is estimated. A new tax of 10s. per bag on coffee has been imposed, the proceeds to be used to acquire and destroy inferior coffee. The full effect of the tax cannot yet be judged.

Bogota.—Rain is needed in the agricultural areas, but prospects are still fair. Business generally is dull.

Japan.

April exports totalled Y79,000,000 and imports Y120,000,000. Raw silk was scarce until the end of April, when the banks released for export 6,000 bales of indemnified silk. Prices have fallen heavily, and woollen yarns are also cheaper in sympathy with the sharp fall in Australian raw wool prices. The cotton trade outlook is unsatisfactory. Considerable progress is being made with business re-organisation, including the formation of an Employers' Federation.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts & Advances
1930.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
May 21 ..	*157·5*	*354·7*	*63·7*	*54·9*	*57·8*	*49·8*	*6·8*
1931.							
April 29 ..	146·3	349·8	57·4	55·3	48·9	31·1	7·2
May 6 ..	147·5	356·2	52·3	52·2	58·6	34·4	5·6
May 13 ..	149·0	353·1	56·9	53·4	62·2	35·7	6·4
May 20 ..	150·2	351·5	59·7	56·4	56·6	31·9	6·0

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1930.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
April	*1,749·7*	*159·0*	*244·8*	*135·8*	*209·6*	*240·4*	*984·3*
November ..	1,838·0	116·3	238·1	138·9	311·4	279·9	935·4
December ..	1,875·8	117·5	261·5	144·0	321·5	284·7	928·7
1931.							
January	1,873·3	115·0	243·7	144·3	329·7	296·9	923·9
February	1,819·6	121·4	233·7	115·9	301·2	309·4	924·9
March	1,763·9	121·5	227·5	114·1	240·4	311·1	936·1
April	1,735·7	115·3	224·3	117·0	211·0	308·5	940·3

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio. 1929	Ratio. 1930	Ratio. 1931
			%	%	%
1902	58·2	January	46·8	45·1	45·9
1914	49·9	February	45·9	44·2	45·1
1919	60·7	March	45·2	44·5	45·3
1920	56·7	April	44·9	45·1	45·0
1921	50·7	May	44·1	44·0	
1924	51·0	June	44·5	44·4	
1925	49·6	July	45·4	44·7	
1926	48·6	August	45·3	44·4	
1927	47·4	September	45·3	44·7	
1928	46·4	October	45·6	44·8	
1929	45·2	November	44·7	44·8	
1930	44·7	December	45·3	46·0	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1930.						
May 21 ..	*3*	*2 5/32*	*2—2¼*	*3*	*2½*	*3*
1931.						
April 29 ..	3	2 9/16	2—3½	2	1⅝	1½
May 6 ..	3	2 9/16	2—2½	2	1¼	1½
May 13 ..	3	2 9/32—5/16	2—2½	1½	1⅜	1
May 20 ..	2½	2 1/16—3/32	1¾—2¼	1½	1	1½

2. FOREIGN EXCHANGES

London on	Par.	1930. May 21.	1931. Apr. 29.	1931. May 6.	1931. May 13.	1931. May 20.
New York ..	$4·866	4·86 3/32	4·86 9/32	4·86 11/32	4·86 9/32	4·86 7/16
Montreal ..	$4·866	4·86 5/16	4·86 7/16	4·86⅜	4·86½	4·86¾
Paris	Fr. 124·21	123·96½	124·41½	124·44	124·29	124·36
Berlin	Mk. 20·43	20·36½	20·42½	20·42⅜	20·41½	20·42⅜
Amsterdam ..	Fl. 12·11	12·08 13/16	12·09⅞	12·10⅛	12·10½	12·10 13/16
Brussels ..	Bel. 35	34·82½	34·95½	34·97½	34·94¾	34·96½
Milan ..	Li. 92·46	92·71⅛	92·88⅜	92·90⅛	92·89⅛	92·92½
Berne	Fr. 25·22½	25·12½	25·24⅜	25·25	25·23½	25·23
Stockholm ..	Kr. 18·16	18·12½	18·14¾	18·14	18·14⅛	18·14¾
Madrid ..	Ptas. 25·22½	39·97	46·75	46·70	48·50	48·40
Vienna	Sch. 34·58½	34·46½	34·56½	34·56½	34·59	34·60½
Prague	Kr. 164·25	163 13/16	164 3/16	164⅛	164 3/32	164⅛
Buenos Aires ..	47·62d.	42 15/16	36 9/16	35 1/16	34 13/16	34⅞
Rio de Janeiro ..	5·89d.	5 17/32	3 19/32	3⅜	3 7/32	3 13/32
Valparaiso ..	Pes. 40	39·93	39·99	39·98	39·99	40·00
Bombay ..	18d.	17 13/16	17 27/32	17 27/32	17 27/32	17 27/32
Hong Kong ..	—d.	17⅛	12⅛	12 1/16	12	11⅞
Shanghai ..	—d.	21¾	15⅜	15 5/16	15½	14¾

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To May 16, 1931.	To. May 17, 1930.	Expenditure.	To May 16, 1931.	To May 17, 1930.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ..	18·4	18·1	Nat. Debt Service	39·3	39·5
Sur-Tax	7·5	7·0	Northern Ireland payments	0·4	0·4
Estate Duties ..	9·1	10·7	Other Cons. Fund Services	0·3	0·3
Stamps	1·0	1·9	Supply Services	50·1	52·3
Customs	14·9	14·8	Ordinary Expenditure ..	90·0	92·5
Excise	12·0	16·0	Sinking Fund	4·7	4·6
Tax Revenue ..	63·6	69·2	Self-Balancing Expenditure	7·6	8·5
Non-Tax Revenue	15·8	13·6			
Ordinary Revenue	79·4	82·8			
Self-Balancing Revenue	7·6	8·5			

Trade

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1930.	Tons mn.	Tons thou.	Tons thou.
April	*4·5*	*620*	*696*
November	4·9	384	434
December	4·6	350	337
1931.			
January	4·4	337	402
February	4·8	318	486
March	4·5	357	500
April	4·3	323	397

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
April	*36·7*	*20·7*	*25·6*	*83·9*
November	40·6	16·5	21·6	79·4
December	44·4	20·6	23·8	89·6
1931.				
January	36·2	17·9	20·4	75·6
February	30·0	13·3	19·5	63·6
March	32·6	15·1	22·3	70·7
April	32·5	15·5	20·9	70·0

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
April	*3·6*	*5·4*	*36·7*	*46·9*
November	4·8	4·7	32·7	44·1
December	3·5	4·7	27·6	38·5
1931.				
January	3·7	3·7	28·7	37·6
February	2·8	3·8	24·0	31·8
March	3·0	4·1	25·6	34·0
April	2·9	4·1	24·3	32·5

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End of—						
January ..	11·0	12·0	10·7	12·2	12·6	21·5
February ..	10·4	10·9	10·4	12·2	13·1	21·7
March ..	9·8	9·8	9·5	10·1	14·0	21·5
April ..	9·1	9·4	9·5	9·9	14·6	20·9
May ..	14·3	8·7	9·8	9·9	15·3	
June ..	14·6	8·8	10·7	9·8	15·4	
July.. ..	14·4	9·2	11·6	9·9	16·7	
August ..	14·0	9·3	11·6	10·1	17·1	
September ..	13·7	9·3	11·4	10·0	17·6	
October ..	13·6	9·5	11·8	10·4	18·7	
November ..	13·5	9·9	12·1	11·0	19·1	
December ..	11·9	9·8	11·2	11·1	20·2	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (1928–9 average = 100). U.K.	U.S.A.	France.	Italy.	Germany.
1930.					
April	*88·6*	*93·3*	*89·9*	*88·0*	*91·4*
November	78·0	83·8	81·9	77·7	87·0
December	75·6	82·0	80·2	75·6	84·8
1931.					
January	73·9	80·0	79·2	74·1	82·8
February	72·5	78·4	78·9	73·3	82·2
March	72·4	78·2	78·5	73·0	82·1
April	72·2	76·6	78·8	72·4	81·9
April, 4th week	71·7	75·3	78·7	72·2	81·8
May, 1st week	70·8	74·2	78·3	71·6	81·8
May, 2nd week	70·5	73·9	77·6	71·5	81·8
May, 3rd week	70·0	73·3	—	71·0	81·5

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1930.						
April ..	*40*	*53*	*110—115*	*70*	*80*	*55*
November ..	41	54	105	75	75	55
December ..	38	54	105	75	75	53
1931.						
January ..	36	54	100—105	75	75	52
February ..	34	54	100	75	75	50
March ..	29	54	100	75	75	47
April ..	29	54	95—100	75	75	47

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.		Cotton, American Middling.	Wool, 64's tops avge.	Pig Iron, Cleveland No. 3.		Tin, Standard Cash.	Rubber, Plantation Sheet.
	Per qr.		Per lb.	Per lb.	Per ton.		Per ton.	Per lb.
	s.	d.	d.	d.	s.	d.	£	d.
1930.								
April ..	*44*	*7¾*	*8·65*	*27⅛*	*67*	*6*	*162⅜*	*7½*
November ..	30	1	6·07	24	63	6	113 3/16	4½
December ..	27	3	5·41	22½	63	6	111⅝	4⅜
1931.								
January ..	26	6	5·42	21¼	59	6	115⅞	4⅛
February ..	28	0	5·86	22	58	6	118	3⅞
March ..	27	7	5·99	25⅛	58	6	121 15/16	3⅞
April ..	28	0	5·68	24⅝	58	6	112 13/16	3⅛